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## **Teachers are Key to Success of ‘No Child Left Behind’ Act** **Better Pay for Better Teaching**

### ***Executive Summary***

- Under the No Child Left Behind Act, teachers are accountable for ensuring that their students meet the law’s higher achievement standards. As such, it is appropriate to reward and acknowledge those teachers who, by working harder and smarter, are achieving measurable success in their classrooms.
- As part of his FY 2006 Budget, President Bush proposed a merit-pay pilot program for states and school districts to provide additional compensation to teachers who make a measurable impact on raising student achievement, and to provide an incentive to attract effective teachers to high-need schools. The House-passed FY 2006 appropriations bill that funds the Department of Education includes a similar incentive program.
- Today, the majority of teachers are compensated through a “single salary schedule,” which bases teachers’ pay on their years of experience and education degrees. Critics contend that this pay system fails teachers and students as it does nothing to reward excellence. The single-salary schedule also prevents school administrators from raising pay to encourage quality teachers to teach in low-income schools, and from attracting teachers in fields that command higher salaries outside of education, such as math and science.
- Merit pay has bipartisan support. Also, a recent survey found that 80 percent of the public supports salary increases for teachers who improve student achievement. Another survey found 72-percent public support for paying more to those who teach in subjects such as math, science, and special education, positions that can be difficult to fill with high-quality teachers.
- A number of school districts have already found success with merit pay as a means to attract, motivate and retain high-quality teachers, including districts in Tennessee and Arizona.
- A carefully developed merit-pay plan, with clearly defined measures and expectations, should be able to address any legitimate concerns raised by teachers’ unions. The Teacher Incentive Fund, proposed by the President and included in the House appropriations bill funding the Department of Education, will permit many more schools to implement public-supported reforms, and provide a major incentive for needed changes in teacher compensation nationally.

## Introduction

Enacted four years ago, the No Child Left Behind (NCLB) Act raised expectations for students and teachers. Students are expected to raise their achievement level, and teachers are accountable for reaching the specific goals. As such, it is appropriate to reward and acknowledge those teachers who, by working harder and smarter, have achieved measurable success in their classrooms.

President Bush has proposed a pilot program for states and school districts to provide additional compensation to teachers who make a measurable impact on raising student achievement. Under this incentive program, federal funds would be available for the purpose of developing new compensation systems to reward teachers who raise achievement, and to provide an incentive to attract effective teachers to what the Department of Education calls “high-need” schools, which are schools with high poverty rates and poor performance on state assessments.

In response to the President’s proposal, the House of Representatives included an incentive pay program for teachers in its Fiscal Year 2006 appropriations bill that funds the Department of Education (H.R. 3010). The House-passed program, like the one proposed by the President, is a voluntary pilot program available to interested states and school districts. The Senate-reported bill does not contain such a provision.

Some observers may be concerned that using federal dollars for anything related to teacher pay is an inappropriate intrusion of the federal government into an area that is historically the jurisdiction of states and local school districts. However, supporters of this concept view it in the context of a natural follow-up to the four-year old NCLB. That law placed new accountability requirements upon schools; thus, it is argued, it is now appropriate for the federal government to make available financial incentives for teachers who help meet those requirements. The concept of the President’s proposal and the House plan is to provide states and school districts with another tool to raise teacher quality and close the achievement gap, which stand as the foundation of NCLB.

According to a November 2004 national survey, 80 percent of the public supports salary increases for teachers who raise student achievement.<sup>1</sup> However, some observers suggest that teachers’ unions oppose anything that might be construed as merit pay.<sup>2</sup> At least one observer notes that union opposition stands in the way of local districts implementing merit pay systems on a larger scale.<sup>3</sup> For example, in California, in response to Governor Schwarzenegger’s proposal to introduce merit pay for teachers, the state’s largest teachers’ union sought to impose a dues hike on its members to help raise “tens of millions of dollars” to combat merit pay and other budget initiatives.<sup>4</sup> A federal pilot program, such as the one proposed by the President, may be necessary to allow public schools to overcome teachers’ unions’ opposition to

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<sup>1</sup> Peter D. Hart Research Associates and Harris Interactive, “Americans’ Commitment to Quality Teaching in Public Schools,” April 6, 2005.

<sup>2</sup> National Education Association, “Bush Budget Numbers Have Real Consequences,” February 2005; Julia E. Koppich, “All Teachers are Not the Same,” *Education Next*, Winter 2005; Brian Bakst, “Teachers Warm to Idea of Performance Pay,” *The Boston Globe*, February 8, 2005.

<sup>3</sup> Koppich.

<sup>4</sup> Alexa H. Bluth, “Teachers Union Wants Dues Raised,” *The Sacramento Bee*, March 19, 2005.

implementing a compensation program that links teacher performance and student outcomes. The pilot program would provide funds directly to state and local educational agencies to allow this concept – one that has already proven successful in other schools – the chance to prove itself and build support within the community. This was the case in Little Rock, Arkansas. Merit-pay bonuses were paid in the first year by an anonymous donor; the next year, the school district, pleased with the results of the first year, voted to use its own funds to pay performance bonuses.<sup>5</sup>

## Background

### *An Antiquated Pay System*

Today, the majority of teachers in the United States are compensated through a “single salary schedule,” which bases teachers’ pay on their years of experience and their education credits and degrees. According to the National Center for Education Statistics, 96 percent of all public school districts utilize a single-salary schedule for teacher pay.<sup>6</sup> The system was designed in the 1920s to ensure fairness among elementary school teachers, who were mostly women, and secondary teachers, who were mostly men.<sup>7</sup> Critics contend that this pay system fails teachers and students as it does nothing to reward excellence. Indeed, it promotes equal pay for unequal performance.<sup>8</sup> Under the current system, an increase for one teacher means an increase for all. The following table shows the Denver Public Schools’ salary schedule as offered by Brad Jupp, education author and member of the Denver Classroom Teachers Association. According to Jupp, it is an example of a “typical single-salary schedule” used for paying teachers.<sup>9</sup>

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<sup>5</sup> Daniel Henninger, “How One School Found a Way to Spell Success,” *The Wall Street Journal*, October 14, 2005.

<sup>6</sup> Kerry J. Gruber, Susan D. Wiley, and Stephen P. Broughman, “Schools and Staffing Survey, 1999-2000: Overview of the Data for Public, Private, Public Charter and Bureau of Indian Affairs Elementary and Secondary Schools,” National Center for Education Statistics, May 2002.

<sup>7</sup> Koppich.

<sup>8</sup> The Teaching Commission, “Teaching at Risk: A Call to Action,” 2004, p. 23.

<sup>9</sup> Brad Jupp, “The Uniform Salary Schedule,” *Education Next*, Winter 2005.

## Denver's Salary Schedule (Figure 1)

*With relatively low starting salaries and guaranteed raises over time, the current Denver Public Schools salary schedule is typical of compensation schemes for teachers. Each step represents a year of teaching.*

	B.A.	M.A.	DOCTORATE
New Hire	\$31,320	\$31,779	
Step 1	\$32,971	\$33,454	\$39,169
Step 2	\$33,073	\$33,697	\$40,903
Step 3	\$33,225	\$35,101	\$42,642
Step 4	\$33,480	\$36,503	\$44,377
Step 5	\$33,785	\$38,053	\$46,251
Step 6	\$33,988	\$39,671	\$48,219
Step 7	\$35,421	\$41,337	\$50,290
Step 8	\$36,912	\$43,087	\$52,449
Step 9	\$38,456	\$44,924	\$54,702
Step 10	\$40,092	\$46,860	\$57,057
Step 11	\$41,784	\$48,843	\$59,521
Step 12	\$43,566	\$50,944	\$62,082
Step 13	\$45,546	\$53,401	\$64,919

SOURCE: Denver Public Schools

Proponents of changing teacher compensation argue that the single-salary schedule deprives public school administrators of the ability to adjust an individual teacher's pay to reflect performance, attract sought-after skills, and assure that teaching positions in low-income schools are filled by high performers. For example, many school systems struggle to fill teaching positions in fields that command high salaries outside of education, such as math and science.<sup>10</sup> The rigidity of the single-salary schedule prevents them from addressing this shortage in the obvious way – by raising pay in these specialties. Likewise, few school systems provide extra compensation to teachers who work with disadvantaged students. Therefore, experienced teachers often use their seniority to transfer to more attractive schools, leaving the neediest students with more inexperienced teachers.<sup>11</sup>

With such obvious flaws in this rigid pay system, why don't states and local school districts reform their pay practices for teachers? The short answer is teachers' unions. Unions

<sup>10</sup> Dale Ballou and Michael Podgursky, "Let the Market Decide," *Education Next*, Spring 2001.

<sup>11</sup> Ballou and Podgursky.

defend the single-salary schedule in the name of employee equity and fairness, and oppose changes that rely on student performance as a measure of a teacher's effectiveness.<sup>12</sup> Furthermore, teachers' unions, particularly the National Education Association, have opposed merit pay systems because they place the union in an awkward position: "For every teacher awarded merit pay, ten others will want the union to file a grievance alleging that they deserved merit pay more than the teacher who received it."<sup>13</sup>

### **Why Merit Pay Enhances NCLB Goals**

The No Child Left Behind Act requires that all students become proficient in reading and math, and that the achievement gap between students of different socio-economic backgrounds be closed. Schools that do not make progress must provide supplemental services, such as free tutoring, and/or offering the option of choosing another public school. They must also take corrective action with regard to the way the school is run. The law, recognizing that high-quality, effective teachers are a necessary component to obtaining these results, established certain teacher-quality requirements for states, including the requirement that core academic subjects be taught by "highly qualified teachers."<sup>14</sup> And while federal funds already are in place for professional training and development to help states and school districts meet this requirement, that program alone may be insufficient. The General Accounting Office (GAO) reported in 2003 that state and district officials are hindered in their ability to obtain all highly qualified teachers for a number of reasons, including "the lack of incentive pay programs."<sup>15</sup>

In keeping with the rationale that teachers are the key to the success of NCLB's goals, and so should be rewarded for meeting them, the President proposed a \$500 million Teacher Incentive Fund as part of his FY 2006 budget request. This formula grant program is for states and school districts that choose to reward effective teachers – those who are closing the achievement gap for students in schools most in need, and those who otherwise are meeting NCLB annual targets for student achievement. Under the President's proposal, states would be authorized to create a statewide system to reward these teachers, and to provide grant money to local school districts in order to recruit highly qualified teachers to high-need schools. Additionally, the President requested that a portion of the funds be used for competitive grants for the development and implementation of performance-based teacher compensation systems in order to aid school districts that choose to change to such a system.<sup>16</sup>

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<sup>12</sup> Koppich; *The New York Sun*, op-ed by Nicole Gelinas, "Time for Merit Pay for Teachers," June 20, 2005; National Education Association, "Bush Budget Numbers Have Real Consequences," February 2005.

<sup>13</sup> Myron Lieberman, "Merit Pay Can't Provide the Incentives for Improvement," *The Education Policy Institute*, July 17, 2000.

<sup>14</sup> Frederick Hess, Andrew Rothersham, and Kate Walsh, "Finding the Teachers We Need," *Policy Perspectives*, WestEd, January 1, 2005. Note: NCLB provided states with the flexibility to develop their own requirements to denote teachers as highly-qualified. The Department of Education issued policy guidance noting the basic parameters as, "highly qualified, teachers must have: 1) a bachelor's degree, 2) full state certification or licensure, and 3) prove that they know each subject they teach." U.S. Department of Education, "New No Child Left Behind Flexibility: Highly Qualified Teachers," <http://www.ed.gov/nclb/methods/teachers/hqtflexibility.html>.

<sup>15</sup> General Accounting Office, "No Child Left Behind: More Information Would Help States Determine Which Teachers are Highly Qualified," GAO-03-631, July 2003.

<sup>16</sup> The White House, "Education: The Promise of America," September 9, 2004.

H.R. 3010, the House-passed Fiscal Year 2006 appropriations bill for the Departments of Labor, Health and Human Services, and Education, and Related Agencies, included \$100 million for a pilot Teacher Incentive Fund program available to states willing to develop and implement innovative ways to provide financial incentives for teachers (and also principals) who raise student achievement and close the achievement gap.<sup>17</sup> In the interest of ensuring that the states remain in control of this issue – and are committed to it – the bill requires states and schools to pay for an increasing share of the total cost of the project in subsequent years with non-federal funds. And, in order to assure that workable plans can be implemented elsewhere, the bill requires the Department of Education to assess each project through an independent evaluator, and then share these assessments with other interested parties.

It is important to note that the proposals of both the President and the House allow state and local schools a great deal of latitude in how they develop merit pay plans. For example, they may include additional measures and goals, combined with student performance, but the fundamental shift would be that the merit pay systems consider outputs, such as student achievement, rather than only inputs, such as the number of courses a teacher takes.

The provisions in the House funding bill were applauded by the chairman of the Department of Education’s authorizing committee who noted, “The federal government is spending tens of billions of dollars a year on K-12 education programs. States and schools ought to be allowed to use at least a fraction of that money to provide financial rewards for highly qualified teachers and principals who are working successfully to raise student achievement.”<sup>18</sup> Chairman John Boehner (R-OH) also noted that the funds provided in the House bill are not new, but are being diverted from existing funds that were used for what he termed “less effective programs.”<sup>19</sup> Meanwhile, the Senate-reported appropriations bill that funds the Department of Education (as reported on July 14), does not include a similar provision.

### **Merit Pay is Soundly Supported**

Support for the use of merit pay in public education has not been limited to one political party. In addition to the support of the President and House Republicans noted above, the 2004 Democratic Presidential candidate, John Kerry (D-MA), voiced his support. In his policy plan, “A Great Teacher for Every Child,” the candidate stated that “teachers should be rewarded for demonstrating more skill or better results.”<sup>20</sup>

Another Democratic advocate is former Clinton Administration official Joel Klein, now Chancellor of the New York City public schools. According to Chancellor Klein, “Our system is built on principles of non-meritocracy and non-differentiation, and those two principles are killing us. At the heart of the problem are the three pillars of civil service: lock-step pay,

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<sup>17</sup> Committee on Education and the Workforce, “House Education Committee Leaders Applaud Appropriations Subcommittee for Passing Teacher Pay-for-Performance Initiative,” June 9, 2005.

<sup>18</sup> House Committee on Education and the Workforce.

<sup>19</sup> House Committee on Education and the Workforce.

<sup>20</sup> The Teaching Commission, “Who Supports Paying Teachers Differently?” March 1, 2005.

seniority, and life tenure. Together, they act as handcuffs and prevent us from making the changes that will encourage excellence in our system.”<sup>21</sup>

In addition to the bipartisan support it has garnered from elected officials, merit pay for educators is supported by teachers, parents, and education researchers. In November 2004, two national surveys were conducted for The Teaching Commission, a private panel led by former IBM chairman Louis Gerstner, Jr. The surveys found that 80 percent of those surveyed support salary increases for “teachers who improve student achievement, raise teaching standards and increase accountability for teachers.”<sup>22</sup> The surveys also found that three out of four surveyed support paying higher salaries to teachers willing to serve in high-poverty schools that struggle to attract and retain good teachers. Furthermore, a 2003 survey conducted by the research group Public Agenda found that 85 percent of teachers and 72 percent of principals reported that providing financial incentives would “help a lot” when it comes to attracting and retaining quality teachers.<sup>23</sup> Similarly, 72 percent of the public supported paying more for those who teach in subjects such as math, science, and special education in order to attract teachers with knowledge in these subjects.<sup>24</sup>

## **Reasons to Support Merit Pay for Teachers**

### **Merit Pay Has Proven Results**

A number of school districts have explored merit pay as a means to attract, motivate, and retain high-quality teachers. Below are examples of merit pay systems that proponents point to as promising models.

Starting in 1999, the Denver Classroom Teachers Association and the Denver Public Schools agreed to study the relationship between student achievement and teacher compensation. The initial study included a pilot project at 16 schools for four years. As a result of the initial pilot program, it was determined that teacher compensation “could not be based on student achievement alone.”<sup>25</sup> Therefore, the district and the teacher association formed a task force to design a new comprehensive pay system for teachers. The task force of teachers, school administrators, and local citizens used private funds to develop a system dubbed “ProComp,” which linked teacher pay to the school district’s instructional mission.

Denver’s ProComp system has four components that allow teachers to earn additional pay. The first component is “knowledge and skill,” which allows teachers to earn additional compensation by completing annual training. The second component is “professional evaluation,” which allows salary increases based on evaluation. The third, “student growth,”

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<sup>21</sup> The Teaching Commission.

<sup>22</sup> Peter D. Hart Research Associates and Harris Interactive. Note: The first survey was of 807 U.S. adults, with an over-sampling of 127 public school parents. The second survey was of 553 U.S. public school teachers.

<sup>23</sup> The Teaching Commission, “Teaching At Risk: A Call to Action,” 2004.

<sup>24</sup> Peter D. Hart Research Associates and Harris Interactive.

<sup>25</sup> Denver Public Schools Professional Compensation System for Teachers, [www.denverprocomp.org](http://www.denverprocomp.org).

rewards teachers based on the academic achievement of their students. And the fourth is “market incentives,” which allows the district to offer additional pay for difficult-to-fill positions.

The Denver Board of Education and the teachers’ association approved ProComp in 2004. Next, the program will be submitted to Denver voters later this year in order to raise the \$25 million needed to finance the system.<sup>26</sup>

A second program proving successful is in Chattanooga, Tennessee. In 2001, nine of Tennessee’s twenty worst performing schools were located in Chattanooga. The mayor and the school district, with cooperation from the teacher association (with funds provided by two private foundations), devised a plan to address these nine elementary schools, known as the “Benwood schools.” To attract highly qualified teachers to teach in the Benwood schools, the group developed a teacher-incentive package.<sup>27</sup> The package included a \$5,000 bonus for highly-qualified teachers as defined by student achievement, and a \$2,000 annual bonus for every teacher in a school that significantly increased its test scores, among other incentives.<sup>28</sup>

The “Benwood schools” results are impressive. The percentage of third graders reading at or above grade level rose from 23 percent in 2001 to 36 percent in 2003. Across all grades, the percentage of students at or above grade level in reading/language arts rose from 57 percent in 2003 to 77 percent in 2005. Math achievement increased from 54 percent to 70 percent during the same period.<sup>29</sup> In addition to raising student achievement, the Benwood schools report that filling their teacher positions has been easier, turnover has been reduced, and teacher morale has improved.<sup>30</sup>

### **Merit Pay Helps With Difficult-to-Fill Positions**

The success of the NCLB depends particularly on raising achievement at high-needs schools, but, as Secretary of Education Margaret Spellings describes it, the current system detracts from that goal: “We have a system that doesn’t give the teachers who want to help these students the support they deserve. While most professions reward those willing to take on the hardest assignments, the public school system often does the opposite. Teachers with the skill and desire to close the achievement gap find themselves drawn away from the schools that need the most help. Many school systems even offer *de facto* incentives for teachers to leave these schools.”<sup>31</sup> That is, sometimes experienced teachers use their seniority to transfer to more desirable schools.

To address this, a number of school districts have employed merit pay to reward highly qualified teachers who work in designated high-poverty schools. One such program is the Teacher Advancement Program (TAP) developed by the Milken Family Foundation. In addition

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<sup>26</sup> Denver Public Schools Professional Compensation System for Teachers.

<sup>27</sup> Joshua Benton, “Letting Good Teachers Fix Bad Schools,” *The Dallas Morning News*, August 29, 2003.

<sup>28</sup> Benton.

<sup>29</sup> *Chattanooga Times Free Press*, editorial, “Great Gains by Local Students!,” *Chattanooga Times Free Press*, July 16, 2005.

<sup>30</sup> Benton.

<sup>31</sup> Margaret Spellings, Secretary of Education, speaking to the Milken Family Foundation National Education Conference, April 27, 2005.



to merit pay, the TAP system rewards teachers who take on additional responsibilities with additional pay. In Arizona, talented teachers have shown their support for this program by taking jobs at some high-need schools. Of the 61 teachers in one school district who moved to high-need schools, 13 (or 21 percent) came from schools in high socioeconomic areas, schools that are “among the best in the area.”<sup>32</sup> Additionally, school districts in Florida, Alabama, Maryland, and Tennessee are offering rewards to qualified teachers who work in designated high-poverty schools.<sup>33</sup> According to the superintendent of one such school district, since the initiative began, “staffing the urban schools has become much easier.”<sup>34</sup>

### **Merit Pay Raises Teacher Quality and Treats Teachers as Professionals**

Education research demonstrates that teacher quality is the single most important factor affecting student achievement.<sup>35</sup> That said, one recent study documents a decline in teacher quality – which its authors attribute to lack of financial reward for quality work.<sup>36</sup> Economists Caroline Hoxby of Harvard University and Andrew Leigh of Australian National University found that salary distribution for U.S. public school teachers “has narrowed so dramatically that those with the highest aptitude can expect to earn no more than those with the lowest. This alone accounts for more than three-quarters of the decline in teacher quality.”<sup>37</sup> According to their research (which used mean SAT scores to define “aptitude” and was limited to women), 16 percent of American female teachers in 1963 were of low aptitude, compared to 36 percent in 2000. At the other end the spectrum, only one percent of female teachers in 2000 were high-aptitude, compared to five percent in 1963.<sup>38</sup>

This study underscores the assertion that, especially in this highly competitive economy, the single-salary schedule that bases compensation solely on college credits, education degrees, and years of experience does not attract the best and brightest. Highly capable and competent people are more likely to be attracted to a system that rewards individual performance.<sup>39</sup>

Teaching is a profession like none other. It is responsible for educating, training, and preparing all others with the skills needed to succeed. As such, it should be held to high standards.<sup>40</sup> Merit pay allows top teachers to be acknowledged for their efforts, provides an incentive to other teachers, and raises the bar of professionalism in teaching.<sup>41</sup> It allows teachers to be held more accountable and judged in relation to their peers. Merit pay brings evaluation of outputs to teaching, a standard used in most professions.<sup>42</sup>

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<sup>32</sup> Lewis C. Solmon, “Recognizing Differences,” *Education Next*, The Hoover Institute, Winter 2005.

<sup>33</sup> The Teaching Commission, “What is Merit or Performance Pay for Teachers?,” March 1, 2005.

<sup>34</sup> Benton

<sup>35</sup> Jane Hannaway, “Best Teachers Need More Than Apples,” *The Urban Institute*, August 22, 2004.

<sup>36</sup> Caroline M. Hoxby and Andrew Leigh, “Wage Distortion,” *Education Next*, Winter 2005.

<sup>37</sup> Hoxby and Leigh.

<sup>38</sup> Hoxby and Leigh.

<sup>39</sup> Hoxby and Leigh; *The New York Sun*, editorial, “Time for Merit Pay for Teachers,” June 20, 2005.

<sup>40</sup> Gaynor McCown, “Teacher Merit Pay: Prudent or Pointless?” *Scholastic Administrator*, April/May 2004.

<sup>41</sup> *The Scholastic Administrator*, “The Good and Bad of Teacher Merit Pay,” April/May 2004.

<sup>42</sup> USC California Policy Institute, “Understanding Alternative Teacher Compensation: California K-12 School Finance Policy Symposium,” March 4, 2005.

## **Merit Pay Is More Cost-Effective for the Taxpayers**

Under the current single-salary teacher pay system, a salary increase for one means a salary increase for all. Based on survey data, a majority of the public (71 percent) believes teachers deserve to earn more. However, “just to bring the salaries in the below-average states to the national average would cost \$8.5 billion – an amount that is fiscally irrational.”<sup>43</sup> Proponents of merit pay note that it would be less costly and would produce greater results to target raises toward the most effective teachers.<sup>44</sup> According to the April 2005 Harris-Hart survey, “public support for paying the costs of higher teacher salaries is enhanced if higher pay is linked to teacher performance and other accountability measures.”<sup>45</sup>

## **Refuting Critics**

Among the criticisms raised by opponents of merit pay is that it inappropriately uses student performance as a measure of a teacher’s effectiveness.<sup>46</sup> Yet, as the aforementioned studies show, a merit pay system can be built around a variety of objective and subjective measures, decided at the local level. Successful pay systems can factor in a variety of measures of excellence, including peer and principal review, in addition to student achievement.<sup>47</sup>

A parallel issue is outcome-based payments for physicians under Medicare, which is currently under consideration by the Senate Finance Committee. The aim of merit pay for teachers is similar to that of outcome-based payments for physicians. As expressed by Senator Max Baucus (D-MT), that proposal would “reward better health-care quality with better payment.”<sup>48</sup>

Critics also contend that it is unfair to grade teachers and that grading could be subject to favoritism.<sup>49</sup> One only needs to be reminded that testing is a reality in education. If gauging performance is inappropriate, then why do we give grades to students? The typical response, as noted in the *Christian Science Monitor*, is, “We give grades because they help us understand which areas need improvement and because they acknowledge superb effort and ability.”<sup>50</sup> Also, grading based on student performance is not subject to favoritism; grading is simply a reflection of the numbers. A carefully crafted merit pay program with clearly defined measures and expectations should alleviate this concern.

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<sup>43</sup> Solmon.

<sup>44</sup> Solmon.

<sup>45</sup> Peter D. Hart Research Associates and Harris Interactive.

<sup>46</sup> National Education Association, “Bush Budget Numbers Have Real Consequences,” February 2005.

<sup>47</sup> Louis V. Gerstner, Jr., “Money Plus Merit Equals Better Teachers,” *The Detroit News*, February 1, 2005. [Note: Mr. Gerstner is the former chairman of IBM who now leads The Teaching Commission, a bipartisan private group seeking to improve student achievement.]

<sup>48</sup> Committee on Finance, “Statement of U.S. Senator Max Baucus, U.S. Senate Finance Committee Hearing, ‘Improving Quality in Medicare: The Role of Value-Based Purchasing,’ July 27, 2005.

<sup>49</sup> Myron Lieberman, “Merit Pay Can’t Provide the Incentives for Improvement,” *Education Policy Institute*, July 17, 2000.

<sup>50</sup> Randy Dotinga, “Calls to Commend Teachers – With Cash,” *The Christian Science Monitor*, June 14, 2005.

Another criticism by opponents is that merit pay plans have not proven successful.<sup>51</sup> A number of merit pay experiments tried in the 1980s are no longer in place. Critics argue that the decline of such programs was due to the difficulties of accurately identifying effective teachers and rewarding good teaching practices.<sup>52</sup> These difficulties have been erased following annual testing of grades three through eight as required by NCLB, which provides objective measures to identify effective teachers. Proponents of change insist the experiments in the 1980s were too limited in scope, and were destined to fail due to the stiff resistance from teachers and unions.<sup>53</sup> The programs running in Denver and Chattanooga are two examples of programs that are yielding positive results. Furthermore, now that NCLB gives parents the choice to transfer out of low-performing public schools, a new sense of competition among schools has emerged that has forced changes in how parents and teachers view public schools.

Critics also raise concerns that teachers will “cherry pick” the best students to be in their class. Supporters of merit pay note that this concern can largely be addressed by measuring student achievement using “value-added standards,” which look at student improvement or gain over the course of the year instead of students’ level of achievement at the end of a year. Furthermore, when value-added standards are used, merit pay remains available to teachers of all students. That is, it likely is easier to get a 25-percentile gain from a student starting in the 30<sup>th</sup> percentile than a 15-percentile gain from a student already at the 80<sup>th</sup> percentile.<sup>54</sup>

Critics of merit pay argue that it damages the school culture when “superior teachers” are singled out and given special awards.<sup>55</sup> They note that in competitive industries, both employers and employees must consider the possibility that competing companies will provide better products or services at a lower price, and these incentives “are not present in public education.”<sup>56</sup> In response, supporters of merit pay point to its wide and successful use in private schools, which suggests that it is neither infeasible nor unattractive.<sup>57</sup> Private schools note they use merit pay to recruit and retain the quality teachers demanded by tuition-paying parents.<sup>58</sup> This broad use of merit pay by private schools, of course, highlights a critical distinction between public and private schools: such initiatives are “easier in the private sector because administrators are seldom subject to the constraints imposed by a collective bargaining process.”<sup>59</sup> Even so, the successes seen in the private schools could point to the direction public schools might take if teachers were rewarded for student achievements.<sup>60</sup>

Along the same lines, some critics assert that rewarding some teachers and not others harms teacher collaboration within a school.<sup>61</sup> Yet, this did not prove true in the Denver

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<sup>51</sup> Oregon School Boards Association, “Performance Pay Primer – Teacher Merit Pay,” *Performance Pay Resources*, December 30, 2004.

<sup>52</sup> Thomas S. Dee and Benjamin J. Keys, “Dollars and Sense,” *Education Next*, Winter 2005.

<sup>53</sup> Dee and Keys.

<sup>54</sup> Solmon.

<sup>55</sup> Wade Nelson, “Teacher Merit Pay: Prudent or Pointless? Counterpoint,” *Scholastic Administrator*, April/May 2004.

<sup>56</sup> Lieberman.

<sup>57</sup> Dee and Keys.

<sup>58</sup> Ballou and Podgursky.

<sup>59</sup> Ballou and Podgursky.

<sup>60</sup> Ballou and Podgursky.

<sup>61</sup> Nelson.

program. When Denver teachers were asked whether their pilot program had an impact on “cooperation among teachers,” the results were that 53 percent of the participating teachers said the impact was positive, and only 2 percent said the impact was negative.<sup>62</sup> According to Brad Jupp, the teacher representative to the ProComp taskforce, the Denver teachers’ survey response “flies in the face of preconceptions that teachers fear pay for performance based on student growth because it will harm collegial relations.”<sup>63</sup> Furthermore, schools need to reward the best teachers to attract and retain them in the schools that need them the most. According to education researchers Caroline Hoxby and Andrew Leigh, in order to attract high-aptitude individuals back into teaching, “school districts need to reward teachers in the same way that college graduates are paid in other professions – that is, according to their performance.”<sup>64</sup>

The National Education Association argues that, rather than pay increases for some, all teachers should be paid more.<sup>65</sup> However, history shows that there is no direct connection between spending more money on education and increased student achievement. According to the most recent analysis by the Organization for Economic Cooperation and Development (OECD) of its member countries’ spending on education as a percentage of Gross Domestic Product, the United States spends the second-highest amount. And yet, U.S. student achievement does not match the higher-than-average expenditure. While the proportion of individuals completing high school has been rising in all OECD countries, the rates of students graduating from high school in most OECD countries are now higher than those in the United States.<sup>66</sup> Another study shows a similar lack of correlation. According to the National Center for Education Statistics, the United States outspends the other G-8 countries in per-student expenditures.<sup>67</sup> And yet, fourth-grade students in the United States ranked in the middle of the list of countries in mathematics, and eighth-grade students ranked 15<sup>th</sup> among the 45 countries in mathematics.<sup>68</sup>

## Conclusion

Expectations are greater now for teachers because the No Child Left Behind Act holds schools accountable for student achievement. Merit pay is a positive way to reward those who are effective in raising student achievement. Congress needs to help states to implement alternatives to the traditional, single-salary schedule used by the majority of public schools to pay teachers if it wants to assure that schools nationwide meet the NCLB’s important goals. Merit pay increases schools’ ability to attract and retain highly qualified teachers, especially in

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<sup>62</sup> Jupp.

<sup>63</sup> Jupp.

<sup>64</sup> Hoxby and Leigh.

<sup>65</sup> National Education Association, “NEA Delegates End Annual Meeting with Six-Point Covenant with Nation to Strengthen Public Education,” News Release, July 6, 2005.

<sup>66</sup> Organization for Economic Cooperation and Development, “Education at a Glance 2004,” September 14, 2004. Note: The average country spent 6.2 percent of Gross Domestic Product (GDP) on education. Korea was the highest spending country at 8.2 percent, with the United States next with 7.3 percent.

<sup>67</sup> National Center for Education Statistics, “Comparative Indicators of Education in the United States and Other G8 Countries: 2004,” February 2005.

<sup>68</sup> National Center for Education Statistics.

fields that command high salaries outside of education, such as math and sciences, and it encourages teachers to work in high-needs schools. A carefully developed merit pay plan, with clearly defined measures and expectations, should be able to address any legitimate concerns raised by teachers and their unions. Eighty percent of parents and teachers support salary increases for teachers who improve student achievement. The Teacher Incentive Fund proposed by the President and passed by the House will permit many more schools to implement public-supported reforms, and will provide a major incentive for needed changes in teacher compensation nationally.